Supreme Court, U.S.
FILED
JUN 07 1993
OFFICE OF THE CLERK

(3)

No. 92-1682

IN THE
SUPREME COURT OF THE
UNITED STATES
OCTOBER TERM, 1992

EARL JASON LARISCEY,

Petitioner,

v.

THE UNITED STATES,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

John S. Moot
Suite 800
1440 New York Ave., N.W.
Washington, D.C. 20005

BEST AVAILABLE COPY

No. 92-1682

IN THE
SUPREME COURT OF THE
UNITED STATES
OCTOBER TERM, 1992

EARL JASON LARISCEY,

Petitioner,

v.

THE UNITED STATES,

Respondent.

PETITIONER'S REPLY BRIEF

The Government misportrays this case in four material respects.

1. This case does not present a question of state law. Gov't Br. at 3-4. Rather, the critical and dispositive issue presented for review, entirely sidestepped by the Government's brief, is whether the Federal Government can avoid liability under the Takings Clause by compelling a person to disclose his trade secret and thereafter arguing that this very same disclosure has extinguished the property interest underlying the trade secret. Pet. at i, 13.[1] This

[1] Because petitioner is seeking review of the Claims Court's grant of summary judgment to the Government, all facts must be viewed in the light most favorable to petitioner. Pet. App. 7A. Given this procedural posture, the Government cannot dispute the fact that it appropriated Mr. Lariscey's manufacturing process by "direct[ing]" Mr. Lariscey to demonstrate it. Supp. App. at 4A; Pet. at 9 n.8; Pet. App. 20A. The Government's suggestion that Mr. Lariscey "voluntarily" conveyed his trade secret to the Government (Gov't Br. at 4 n.2) simply ignores the record. Mr. Lariscey's affidavit, as filed with the Claims Court, is attached for convenience as a Supplementary Appendix ("Supp.

important federal issue no more involves the "application of state law" (Gov't Br. at 3-4) than any Takings Clause action, *each* of which involve property interests defined in the first instance by state law. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1001 (1984). But no aspect of Texas law is unique or disputed here,[2] and the case turns on whether certain coercive Federal Government action can effectively preempt the trade secret laws of *any* state and, in doing so, render the Takings Clause ineffective. This case is no different, in this respect, than *Monsanto*, 467 U.S. 986, which also involved an uncompensated Federal Government taking of trade secrets. *Id.* at 1010-13. Moreover, the issue presented here is *precisely* the one reserved for another day in *Dow Chemical Co. v. United States*, 476 U.S. 227 (1986), which, as here, involved a Federal Government seizure of trade secrets. *Id.* at 232; *see* Pet. at 2-3, 12-13. The Court in *Dow* suggested that where such a seizure has occurred, the Takings Clause "might" provide compensation for any subsequent public use of the trade secrets so seized, but left the matter unresolved. *Id.* at 232. The issue is now squarely presented here. Pet. at 12-13.

2. The facts of this case are not "unusual" (Gov't Br. at 5) in any material sense. The Claims Court ruling will affect the trade secret rights of any person or company compelled by law or commercial necessity to disclose its trade secrets to the Government. This includes Government contractors, which must submit trade secrets to the Government in order to sell their goods and services. *In*

App.").

[2] The Texas law of trade secrets does not differ, as material here, to that of any state, and is the same as the law at issue in *Monsanto*. *Compare*, 467 U.S. at 1001 *with* Pet. App. 9A.

re Chromalloy Division, 56 Comp. Gen. 538 (1977). This includes regulated industries, which must submit trade secrets to comply with Federal health, safety and economic regulations. *See Monsanto,* 467 U.S. at 994-96. This includes persons or companies subject to a civil or criminal investigation, in the course of which trade secrets are seized by the Government. *See Dow*, 476 U.S. at 232. Put simply, under the Claims Court opinion the Government may exercise its otherwise lawful authority to deprive *any* person or business of the "secrecy" necessary to maintain a trade secret and thereby strip away state law protections afforded such property *and* avoid liability under the Takings Clause.

3. The Government's suggestion that review is not appropriate because the Claims Court decision "does not conflict with [that of] any other court of appeals" (Gov't Br. at 5) is perplexing. The Claims Court has *exclusive* jurisdiction over Takings Clause actions exceeding $10,000. Pet. at 5 n.1. No direct "conflict" between circuits likely will arise. The Federal Circuit was created to ensure "national uniformity" with respect to matters exclusively within its jurisdiction. Pet. at 5 n.2. But here, on a matter within its exclusive jurisdiction and of national importance, it became deadlocked, rendering review by this Court imperative.[3]

---

[3] Two additional points raised by the Government require only brief responses. First, the Government's discussion of Mr. Lariscey's "confidential relationship" claim is not pertinent (Gov't Br. at 4-5); the claim is relevant only if it is determined that Mr. Lariscey voluntarily disclosed his trade secret to the Government. *See* Pet. App. 46A. Given the procedural posture of the case, however, the Court must assume that disclosure was involuntary. *See supra* n. 1. Second, the Government's "shop right" defense (Gov't Br. at 5 n.3) is not relevant here because, as the Government conceded at oral argument to the Federal Circuit, there is a genuine issue of material fact that precludes

4. Finally, the Government's characterization of the case as having "limited significance" (Gov't Br. at 5) is less than convincing. The Government previously sought *in banc* review in the Federal Circuit on the basis that the case presented "precedent-setting questions of exceptional importance" and had "far-reaching implications."[4] The Federal Circuit agreed with this view in accepting the suggestion for rehearing *in banc*. Fed. Cir. R. 35(a). While the Government understandably views the Federal Circuit's subsequent split decision (5-5) as a victory meriting a change in its position, this fractured result hardly supports the argument that the case no longer merits a coherent resolution. The issue presented here, and foreshadowed in *Dow*, remains important nationally and, because of the split within the Federal Circuit, only this Court can decide it.

The petition for writ of certiorari should be granted.

Respectfully submitted,

John S. Moot
Suite 800
1440 New York Ave., N.W.
Washington, D.C. 20005

June 7, 1993

---

a summary finding in its favor on this defense. Pet. at 9 n.9.

[4] Suggestion for Rehearing In Banc at ii (Dec. 20, 1991); Pet. at 11 n.11.

SUPPLEMENTARY APPENDIX

IN THE UNITED STATES CLAIMS COURT

EARL JASON LARISCEY, Plaintiff	§	
	§	
vs.	§	Case No. 587-87C
	§	
UNITED STATES OF AMERICA Defendant.	§	

AFFIDAVIT OF EARL JASON LARISCEY

Earl Jason Lariscey personally appeared before me, the undersigned officer duly authorized to administer oaths, and attested that he is competent to testify and that the following facts are based upon his personal knowledge.

I.

At all times relating to the above-referenced lawsuit, I was an inmate at the Federal Correctional Institute at Bastrop, Texas. I was employed by UNICOR under a program authorized by federal regulations. Pursuant to those regulations, UNICOR provides goods and services to various government agencies.

II.

I had an excellent employment record with UNICOR.

III.

Since 1978, UNICOR has manufactured helmets for the military at its Bastrop facility. Until the summer of 1986, UNICOR contracted out to the Gentex Corporation the function of pre-cutting the kevlar used to

manufacture the helmets. During that summer, UNICOR became dissatisfied with Gentex and decided to bring the kevlar cutting function *in-house*.

IV.

In August 1986, UNICOR made specific preparations to handle the kevlar cutting in-house. UNICOR ordered two cutting tables approximately 100 feet each in length and some cutting knives. Various presses were brought in from other plants and a new press was purchased at an approximate cost of $55,000.

V.

Initially, UNICOR planned to cut kevlar using a die and press method. This method proved unsuccessful for a number of reasons. First, UNICOR's lay-up was different and required different kinds of cuts. Second, the presses had a tendency to bind the material together instead of making a clean cut. Third, the dies were prohibitively expensive and none could be developed that would withstand the pressure necessary to cut the material. Finally, the presses were incapable of cutting an amount of material sufficient to meet UNICOR's needs.

VI.

UNICOR next tested a sonic-cutting knife. That item would have cost approximately $35,000. Despite assurances from the salesman that it would cut 30-40 layers of material at one time, the sonic-cutting knife was incapable of cutting even a single layer of kevlar.

VII.

UNICOR then made inquiries regarding the purchase of laser-cutting knives. The approximate purchase price for each knife was $350,000. Therefore, the government apparently was prepared to spend several hundred thousand dollars to obtain an effective process for cutting kevlar.

VIII.

Assuming that each laser-knife was capable of cutting five layers of material at one time, UNICOR would have needed two laser-cutting knives to meet its production needs. Ultimately the government declined to purchase the knives because the salesman could not guarantee that they would cut sufficient material to meet UNICOR's production demands.

IX.

Because of my excellent work history, I had been assigned to the team of inmates assembled by UNICOR to cut kevlar. My job duties included assembly of the cutting tables and installation of power rails for the supply of power to cutting knives on the tables.

X.

I was not employed by UNICOR to develop a new method for cutting kevlar. I did so on my own initiative after observing UNICOR's initial, unsuccessful attempts to develop an effective cutting method.

XI.

Using scrap materials from the shop floor, I designed the jig to cut kevlar in my cell on my own time and without the aid of other inmates. The only assistance I received was some guidance (over the telephone) from my sister and brother-in-law, who operate a manufacturing plant in Georgia.

XII.

Because I worked in an open cell without privacy, I was unable to hide my project from UNICOR officials. In fact, the prison staff, including the Associate Warden Wendell Smith, instead of offering encouragement or advice, openly criticized my efforts. He called me Fred Flinstone and sarcastically suggested that I was building rabbit boxes. The officials knew, however, that I was spending my leisure time over the course of several months attempting to develop an effective method for cutting kevlar.

XIII.

In December 1986, a representative from the Department of Defense was schedule to visit Bastrop to examine the cutting process. This representative had to determine whether the process met specifications for UNICOR's new contract with the military for the manufacture of helmets.

XIV.

Approximately one week prior to the scheduled visit of the Department of Defense representative, Wendell Smith, having failed to find a suitable method for cutting the kevlar, turned to me as a last resort. My foreman, Carlos Cruz, asked me if my invention would work. I told him it would and I was directed to demonstrate the jig and cutting process. Just as I was prepared to show how the jig and cutting process worked, Wendell Smith stated that "I hope you know what you are doing, because if this doesn't work, I am gone and when I leave there will be a lot of people gone...".

XV.

UNICOR did not ask me if I would be willing to submit the invention for evaluation. Thus, I assumed that I had no choice but to submit my idea to the government for testing and evaluation.

XVI.

In view of my circumstances, I did not think I could negotiate a confidentiality agreement with UNICOR. However, I made it clear that I expected to be compensated for the government's use of the jig and cutting process. When UNICOR first tested the idea, I informed Jack Looney, superintendent of the plant, that I was in the process of obtaining a patent on the jig and cutting process. Looney told me that the invention no longer belonged to me and that I had nothing to do with the jig and cutting process.

XVII.

My idea worked and UNICOR hired an outside machine shop to reproduce my jig in metal form.

XVIII.

UNICOR has used the process successfully since that time. In fact, UNICOR's profits from its helmet manufacturing enterprise have increased.

XIX.

I have never acquiesced to UNICOR's use of the jig and cutting process. I have asserted my right to compensation from the very first time that the invention was tested. I even attempted to hire an attorney to obtain a patent. I also applied for an incentive award upon the recommendation of my supervisor, but UNICOR rejected my application.

XX.

UNICOR has harassed me and reassigned me to perform menial duties in retaliation for the assertion of my rights. When I attempted to contact Gentex Corporation to discuss the sale of my property to that company, UNICOR disciplined me. The UNICOR officials claimed that I was "conducting a business" in violation of prison regulations.

XXI.

All of my attempts to obtain compensation for my invention have been frustrated. Therefore, I filed this lawsuit.

_____

EARL JASON LARISCEY

STATE OF GEORGIA §
§
COUNTY OF BUTTS §

I HEREBY CERTIFY that on this 25th day of July, 1989, before me, the subscriber, a Notary Public in and for the State and County aforesaid, personally appeared Earl Jason Lariscey and did acknowledge the foregoing to be his own act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix by notarial seal.

_____
Notary Public

My commission expires: